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Defense Burdensharing: Is Japan's Host Nation Support a Model for Other Allies?

Stephen Daggett, Foreign Affairs and National Defense Division

Updated June 20, 1994

Abstract. This report reviews data that the Administration has provided to Congress on the costs of U.S. forces based abroad and on the value of host nation support contributions. It analyzes the data in order to assess potential defense budget savings from measures now under congressional consideration. The report concludes that, because of shortcomings in the data, estimates of savings in the U.S. defense budget from increased host nation contributions are often overstated. Some commonly accepted assertions frequently cited in the congressional burdensharing debate, therefore, are of doubtful validity.

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Defense Burdensharing: Is Japan's Host Nation Support a Model for Other Allies?

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June 20, 1994



Congressional Research Service · The Library of Congress



DEFENSE BURDENSHARING: IS JAPAN'S HOST NATION SUPPORT A MODEL FOR OTHER ALLIES?

SUMMARY

Under an agreement announced in January 1991, the Government of Japan committed itself to increase substantially the amount of support that it provides for U.S. military forces based there. Among other things, Japan agreed by 1995 to absorb 100 percent of the cost of Japanese nationals employed at U.S. military facilities and to pay for all utilities supplied to U.S. bases, to increase the amount of military and family housing construction that it is providing to support U.S. forces, to continue to provide facilities at no charge to the United States, and to waive taxes and fees that might otherwise apply to U.S. activities.

By FY1995, under the new agreement, the value of Japan's annual host nation support (HNS) for U.S. forces will rise to \$4.1 billion, according to U.S. estimates, while U.S. military operating costs, excluding military pay and related personnel expenses, will amount to \$1.3 billion. By these measures, Japan will provide 76 percent of the funding required to base roughly 45,000 U.S. military troops there. Using similar calculations, by 1995 Korea will contribute 70 percent of U.S. basing costs, but no other U.S. ally will provide more than 25 percent. In recent years, many Members in both Houses of Congress have repeatedly sought to induce other U.S. allies to absorb as large a share as Japan of U.S. overseas basing costs. Some estimates suggest that this approach could save the United States more than \$3 billion a year by the end of the decade.

Such calculations follow logically from the manner in which the Defense Department has presented data on host nation support contributions and on U.S. overseas basing costs to Congress. The data, however, suffer from a number of shortcomings. One problem is that much host nation support is in the form of land and facilities provided free of charge to U.S. forces. All major allies that host U.S. troops now provide land and facilities without charge. Disparities in the estimated value of these contributions, therefore, merely reflect differences in local costs rather than variations in allied levels of effort. These and many other elements of host nation support do not directly offset U.S. military operating costs abroad.

Because of these conceptual problems, common estimates of potential savings from increased host nation support on the Japanese model appear to be substantially overstated. Clearly, some savings might be achieved. Estimates of foreign national labor compensation do appear comparable among the allies. If all allies were to match the share of foreign national labor costs that Japan absorbs, then savings to the United States could approach \$1 billion a year. Further savings might be possible if other allies were to absorb some additional direct military operating costs. A reliable estimate of such savings, however, would require a detailed data on operating expenses in each host nation than DOD has provided.

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DEFENSE BURDENSHARING: IS JAPAN'S HOST NATION SUPPORT A MODEL FOR OTHER ALLIES?

INTRODUCTION

Defense burdensharing with allies has long been an issue in Congress. In the late 1960s and early 1970s, Congress perennially debated amendments, offered by then-Senate Majority Leader Mike Mansfield and others, mandating withdrawal of a substantial number of U.S. troops from Europe. In the late 1970s and early 1980s, Congress considered several proposals designed to encourage allies to increase their own defense efforts.

Beginning later in the 1980s, with the Cold War winding down, Congress repeatedly tried to spur allies to pay a larger share of the costs of basing U.S. troops abroad. The FY1989 defense appropriations act mandated appointment of a burdensharing ambassador assigned to negotiate more favorable basing agreements with allies. The FY1990 defense appropriations act incorporated the Bonior amendment requiring troop withdrawals from Japan unless Japan agreed to pay a larger share of U.S. basing costs. In 1991, the Administration reached agreements with Japan and Korea to increase host nation support substantially. In the years since then, much congressional debate has focused on means of inducing successive Administrations to negotiate similar cost sharing arrangements with allies in Europe.

This CRS report (1) reviews data that the Administration has provided to Congress on the costs of U.S. forces based abroad and on the value of host nation support (HNS) contributions and (2) analyzes the data in order to assess potential defense budget savings from measures now under congressional consideration. The report concludes that, because of shortcomings in the data, estimates of savings in the U.S. defense budget from increased host nation contributions are often overstated. Some commonly accepted assertions frequently cited in the congressional burdensharing debate, therefore, are of doubtful validity, including the following:

Assertion: *Japan has agreed to pay 75 percent of the cost of basing U.S. forces there, while other allies that host U.S. forces provide far less. If allies elsewhere were to offset as large a share of U.S. basing costs as Japan, the savings to the United States would be substantial -- over \$3 billion a year once cost sharing was fully phased in.*

Analysis: The Defense Department has invited this kind of comparison by the manner in which it presents data on allied host nation support, but the data do not support estimates of high dollar savings to the United States by applying the Japanese model elsewhere. While Japan provides a substantial amount of support to U.S. forces, Japan's effort is not readily

comparable to those of other allies. One problem is that much host nation support is in the form of land and facilities provided free of charge to U.S. forces. Indeed, all major allies that host U.S. troops now provide land and facilities without charge. Disparities in the estimated value of these contributions, therefore, merely reflect differences in local costs rather than variations in allied levels of effort. Another problem is that much of the kind of direct host nation support that Japan supplies may not be needed in other countries. Japan spends large amounts, for example, for noise barriers and other environmental protection measures at U.S. bases and to build large blocks of new family housing for U.S. troops. Comparable investments either are not required or have already been made in Europe. Other military construction projects that Japan pays for are comparable to projects that are financed in Europe by the NATO Infrastructure Account, but allied contributions to the NATO Infrastructure Account are not counted in estimates of host nation support. Of course, the United States *would* receive some budgetary relief if other allies followed Japan's example by paying for foreign national labor and for utilities and some other direct expenses at U.S. facilities. Potential savings from increased host nation support, however, are substantially smaller than is often assumed.

Assertion: *Because of Japan's contributions, it is cheaper to base U.S. military units in Japan than to base the same units in the United States or elsewhere in the world.*

Analysis: Much of Japan's host nation support appears to cover costs that are unique to operating in Japan, including a large part of Japan's environment-related construction, substantial amounts spent to provide housing for U.S. forces, and outlays to rent facilities from private owners. Further, the imputed rent value of land and facilities is not figured as a cost of U.S. forces based at home. As a result, although Japan's host nation support represents a substantial investment by the Japanese Government, only a relatively small part of the Japanese contribution directly offsets U.S. military operating costs. Moreover, when similar military units are compared, it does not appear cheaper to base forces in Japan than in Europe or in the continental United States.

HOST NATION SUPPORT: DO ALLIED CONTRIBUTIONS OFFSET U.S. COSTS?

Under an agreement announced in January 1991, the Government of Japan committed itself to increase substantially the amount of support that it provides for U.S. military forces based there. Among other things, Japan agreed by 1995 to pay 100 percent of the cost of Japanese nationals employed at U.S. military facilities and to pay for all utilities supplied to U.S. bases. Under existing agreements, Japan was already committed to construct new housing for U.S. military families, to pay for most other new construction at U.S. bases except for facilities directly related to offensive U.S. military capabilities, and to carry out an extensive program of environmental improvements at and around U.S. sites. In addition, Japan had long provided land and facilities at no charge to the United States and to waive taxes and fees that might otherwise apply.¹

By FY1995, according to U.S. estimates, the value of Japan's host nation support (HNS) for U.S. forces will total some \$4.1 billion (see **Table 1** for a breakdown and for sources). Projected U.S. military operating costs in Japan in FY1995, *excluding* military pay and related personnel expenses, will amount to \$1.3 billion (see **Table 2**). By these measures, Japan will provide 76 percent of the funding required to base roughly 45,000 U.S. military troops there (see **Table 3**).

Using similar calculations, only one other ally, Korea, contributes nearly as large a share of U.S. basing costs -- an estimated 70 percent in 1994 and 1995. By far the largest element of Korea's support is the estimated rent value of facilities, projected at \$1.7 billion in 1995. In addition, in a 1991 agreement, Korea agreed by 1995 to assume 33 percent of the local currency-based costs of U.S. operations in Korea. Most of this is to pay the salaries of Korean nationals working at U.S. facilities, and the remainder is for selected construction projects, utilities, and some other local expenses. Some of these costs are covered by cash payments from Korea to the United States to offset U.S. expenses.² No other major ally will provide more than 25 percent of U.S. basing costs in 1995.

These calculations have prompted some Members of Congress to propose that other allies -- especially relatively wealthy U.S. allies in Europe -- be required to match Japan's effort. In recent action on the FY1995 defense authorization bill, the House approved an amendment to compel allies in Europe, beginning in FY1996, to cover progressively larger shares of U.S. basing costs up to a target of 75 percent by FY1999. For each percentage point by which allied contributions fall short of the annual targets, the President would be mandated to withdraw 1,000 troops from Europe, down to a floor of 25,000,

¹Embassy of Japan Press Release, "The Japan-U.S. 'Host Nation Support' Special Agreement," Jan. 14, 1991.

²Department of Defense, *Allied Contributions to the Common Defense*, May 1993, pp. 13-3 and 14-3.

Table 1: DOD Estimates of Host Nation Support
(current year dollars in millions)

	Revenue Foregone		Total Revenue Foregone	Actual Rental Payments		Foreign Nat ¹ Labor	In-Country Construction	Direct Costs		Total Direct Costs	HNS Total
	Computed Rent Value Foregone	Other Revenue Foregone									
Germany											
FY1992	873	421	1,294	na	139	125	122	386	1,680		
FY1993	700	714	1,414	na	134	na	114	248	1,662		
FY1994	500	443	943	na	131	na	47	178	1,121		
FY1995	600	481	1,081	na	44	na	18	61	1,142		
United Kingdom											
FY1992	26	46	72	0	0	0	0	0	72		
FY1993	na	na	137	na	0	na	46	46	183		
FY1994	na	na	95	na	1	na	32	33	128		
FY1995	na	na	114	na	1	na	39	40	154		
Italy											
FY1992	19	45	64	0	0	0	4	4	68		
FY1993	na	na	90	na	0	na	0	0	90		
FY1994	na	na	81	na	6	na	0	0	87		
FY1995	na	na	79	na	6	na	0	6	85		
Japan											
FY1992	747	125	872	498	521	1,326	37	2,383	3,255		
FY1993	600	8	608	500	609	1,400	76	2,585	3,193		
FY1994	603	8	611	502	754	1,400	126	2,782	3,393		
FY1995	720	10	730	600	918	1,600	217	3,336	4,066		
Korea											
FY1992	1,421	35	1,456	na	211	98	110	420	1,876		
FY1993	1,500	178	1,678	na	71	66	50	187	1,865		
FY1994	1,600	180	1,780	na	85	na	111	196	1,976		
FY1995	1,700	186	1,886	na	93	61	51	205	2,091		
All Other											
FY1992	na	na	140	na	na	na	na	2	142		
FY1993	na	na	232	na	0	na	7	7	239		
FY1994	na	na	189	na	12	na	3	15	204		
FY1995	na	na	163	na	14	na	0	15	178		

Source: For FY1992 data: Department of Defense, *Report on Allied Contributions to the Common Defense*, May 1993. For later data: Department of Defense, "FY1995 Budget Estimates: Host Nation Support," May 1994. The author is indebted to Robert Angevine, formerly of OMB, and to Phebe Vickers of OMB for initially suggesting the format of this table.

Notes: Figures in *italics* represent data derived from narrative discussions in the cited DOD reports to Congress and may be somewhat imprecise. Summary data and data on foreign national labor compensation are from DOD tables. "n.a." means data are not available.

Table 2: U.S. Defense Overseas Funding: Selected Countries
(current year dollars in millions)

	Military Personnel	Operation & Maintenance		Family Housing		Military Construction	Total
		Foreign Nat'l Pay	Other	Operations	Construction		
Germany							
FY1993	4,138	878	3,079	619	0	14	8,728
FY1994	3,529	825	2,058	483	0	3	6,898
FY1995	3,046	684	2,412	433	0	22	6,597
United Kingdom							
FY1993	986	12	507	70	6	0	1,581
FY1994	572	9	451	60	16	5	1,112
FY1995	507	11	440	65	0	15	1,037
Italy							
FY1993	386	62	440	66	0	0	954
FY1994	455	40	465	78	0	15	1,054
FY1995	429	34	465	67	0	42	1,038
Japan							
FY1993	1,718	238	1,005	150	0	0	3,111
FY1994	1,742	153	1,057	104	0	0	3,057
FY1995	1,679	55	1,154	104	0	0	2,992
Korea							
FY1993	1,285	197	618	30	0	0	2,130
FY1994	1,270	180	656	30	0	0	2,135
FY1995	1,278	174	671	32	0	0	2,155
All Other							
FY1993	1,428	298	1,555	115	1	17	3,414
FY1994	1,231	206	1,458	111	0	38	3,044
FY1995	1,167	184	1,395	110	0	12	2,870

Source: Department of Defense, "FY1994 Budget Estimate: Host Nation Support," May 1994.

though the President may waive the provision on national security grounds.³ The Congressional Budget Office has calculated that a similar plan could save about \$3 billion a year by the time it was fully phased in FY1999, with total savings of about \$10 billion over the FY1996-99 period.⁴

The Defense Department has strongly opposed measures such as this, largely on political grounds, arguing that European allies face serious economic problems; that many have contributed substantially to support other allied priorities, including peacekeeping efforts and aid to Eastern Europe; that the costs of increased host nation support would fall most heavily on Germany and the United Kingdom even though these allies have contributed more than some others to common allied responsibilities; and that U.S. political capital would be

³Similar, though less binding amendments were offered last year on the defense appropriations bill by Senator Lautenberg and as part of a package of additional budget cuts offered in the House by Representative Kasich and others.

⁴Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, March 1994, pp. 87-88.

Table 3: Host Nation Shares of Overseas Basing Costs
(current year dollars in millions)

	U.S. Operating Costs	Host Nation Support	Total Overseas Basing Costs	HNS Percentage Share
Germany				
FY1993	4,589	1,662	6,251	27%
FY1994	3,369	1,121	4,490	25%
FY1995	3,550	1,142	4,692	24%
United Kingdom				
FY1993	595	183	778	24%
FY1994	540	128	668	19%
FY1995	530	154	684	23%
Italy				
FY1993	567	90	657	14%
FY1994	599	87	687	13%
FY1995	609	85	694	12%
Japan				
FY1993	1,393	3,193	4,586	70%
FY1994	1,815	3,393	4,708	72%
FY1995	1,813	4,066	5,379	76%
Korea				
FY1993	844	1,865	2,709	69%
FY1994	865	1,976	2,841	70%
FY1995	877	2,091	2,968	70%
All Other				
FY1993	1,987	239	2,226	11%
FY1994	1,812	204	2,016	10%
FY1995	1,702	178	1,880	9%

Source: Department of Defense, "FY1995 Budget Estimates: Host Nation Support," May, 1994, p. 5.

better spent on promoting other, more important responsibility-sharing measures. Officials also point out that the United States deploys forces in Europe to promote U.S. national security interests, not simply to defend Europe.⁵

Notably, however, DOD has invited just this kind of comparison among allies by the manner in which it has presented data on allied contributions. It is DOD's own calculations that show that Japan will provide 76 percent of U.S. basing costs in FY1995, compared to Germany's 24 percent, the United Kingdom's 23 percent, and Italy's 12 percent. Moreover, in lauding Japan's host nation support, DOD has repeatedly suggested that Japan's contributions offset U.S. basing costs substantially.

⁵Secretary of Defense, *Toward a New Partnership in Responsibility Sharing: An Overview of the 1994 Report on Allied Contributions to the Common Defense*, April 1994, pp. 11-12.

PROBLEMS IN USING JAPAN AS A MODEL

A close look at DOD data on host nation support, however, suggests a number of reasons why the Japanese model does not apply very well to other allies. It also suggests that most host nation support contributions do not substantially reduce U.S. military operating costs, compared to costs of operating similar forces in the United States. One problem is that a large part of Japan's substantial host nation support is made up, not of direct expenditures to offset U.S. operating costs, but rather of (1) rent payments for privately owned facilities, (2) the computed rent value of publicly owned facilities, and (3) other potential revenue foregone, including estimates of waived taxes and fees. These elements of host nation support mainly reflect estimates of the unavoidable costs of operating in the various host nations rather than the level of effort that allies make in support of U.S. forces deployed abroad.

Table 1 shows DOD data both on host nation revenue foregone and on direct host nation support among major allies. Note that, in FY1993, estimates of revenue foregone range from almost \$1.7 billion in Korea to just \$137 million in the United Kingdom and \$90 million in Italy. One way to put the disparity into perspective is to calculate allied rent and other revenue foregone relative to the number of U.S. troops deployed in each nation. As **Table 4** shows, estimated revenue foregone in FY1993 amounted to about \$47,500 per U.S. troop in Korea, \$11,800 in Germany, \$7,500 in the United Kingdom, \$7,600 in Italy, and \$4,700 elsewhere. In Japan, costs of actual rent payments to private owners together with rent and other revenue foregone amounted to about \$24,000 per U.S. troop.

Table 4: HNS Rent and Revenue Foregone per Active Duty Troop, FY1993
(current year dollars in millions, except where noted)

	Rent Value Foregone	Other Revenue Foregone	Total Revenue Foregone	Direct Rent Payments	Average Troop Level (#)	Rent & Revenue Foregone Per Troop (\$)
Germany	700	714	1,414	na	119,869	11,796
United Kingdom	na	na	137	na	18,074	7,580
Italy	na	na	90	na	11,790	7,634
Japan	600	8	608	500	46,039	24,067
Korea	1,500	178	1,678	na	35,287	47,553
All Other	na	na	232	na	48,806	4,754

Source: CRS calculations based on Department of Defense data. Troop levels reflect the averages of fiscal year end-strengths reported in Department of Defense, *Worldwide Manpower Distribution by Geographic Area*, Sept. 30, 1993 and Sept. 30, 1992.

A major reason for the disparity is simply that land and building prices differ substantially from country to country -- prices are relatively high in Japan

and in parts of Korea. Additionally, in the United Kingdom and Italy, U.S. military units are located at bases also used by allied forces, so some costs may not be fully allocated to U.S. troops. Further, tax revenue foregone is relatively high in Germany, which reflects the German consumption-oriented tax structure. An additional complication, as **Table 1** illustrates, is that DOD estimates of allied revenue foregone have varied considerably from year to year within host nations. The DOD data show a substantial increase for the United Kingdom and Italy between FY1992 and FY1993, even as U.S. troop levels were declining, and a significant reduction for Japan, though troop levels were stable. Some of the annual variations reflect trends in the value of the dollar relative to local currencies, but others reflect changes in DOD definitions and methods. This does not foster confidence in the precision of the cost estimates.⁶

All of this illustrates a fundamental conceptual problem in using data on rent payments and on revenue foregone to gauge the degree of host nation support for the U.S. military presence. Disparities in estimates of these elements of host nation support appear to measure the varying costs of land, buildings, and taxes in dissimilar nations rather than differences in allied levels of effort in support of U.S. troop deployments.

Some of the remainder of Japan's support is comparable to support from other allies, but some of it also reflects unique costs of operating in Japan. Apart from rent payments for facilities occupied by U.S. forces, most of Japan's direct host nation support is made up of (1) costs of paying indigenous labor at U.S. facilities and (2) a very large in-country construction program. Remaining direct expenditures, covering utilities and other support, are relatively small.

Funding for foreign national labor is clearly one mode of host nation support that directly reduces U.S. overseas operating expenses. Allied funding for military construction will also offset U.S. costs, but only to the extent that the funding replaces activities that the United States otherwise would undertake. Like rent and revenue foregone, host nation funding for construction may largely reflect unique costs of operating in each country.

An analysis of Japan's extremely large in-country construction program suggests that it is not fully comparable to the support provided by other host nations and that it offsets normal U.S. military operating costs only marginally. **Table 5** illustrates how large Japan's construction program is compared to programs in other host nations. Relative to the number of U.S. troops deployed, the Japanese construction program is 80 to 260 times as large as combined U.S. and host nation construction funding in other allied countries with the exception of Korea, and it is 15 times as large as Korea's program.

⁶The Defense Department acknowledges that estimates of allied revenue foregone are difficult to verify and explains that it is constantly trying to refine definitions and methodology -- see Department of Defense, *Report on Allied Contributions to the Common Defense*, May 1993, p. C-1.

Table 5: Overseas U.S. and Host Nation Construction per Active Duty Troop, FY1993
 (current year dollars in millions, except where noted)

	U.S. Family Housing Const.	U.S. Military Const.	Host Nation Const.	Total Const.	Average Troop Level (#)	Total Construction Per Troop (\$)
Germany	0	14	0	14	119,869	117
United Kingdom	6	0	0	6	18,074	332
Italy	0	0	0	0	11,790	0
Japan	0	0	1,400	1,400	46,039	30,409
Korea	0	0	66	66	35,287	1,870
All Other	1	17	0	18	48,806	369
Total	7	81	1,466	1,504	279,865	5,374

Source: CRS calculations based on Department of Defense data.

Several factors explain the disparity. Under the Facilities Investment Plan negotiated each year by U.S. and Japanese officials, Japan has agreed to provide a large amount of new family and bachelor housing for U.S. troops based there, an investment that reflects housing shortages, American housing standards, and high Japanese housing costs.⁷ Moreover, part of Japan's investment, termed the "Vicinity Countermeasures Program," is devoted to environmental protection and disaster prevention near U.S. facilities, a politically sensitive issue in Japan, especially in high population density areas where some U.S. military facilities are located.⁸ Finally, construction costs are relatively high in Japan, especially when measured in devalued dollars. Indeed, the entire increase in the dollar-cost estimate of Japan's in-country construction program from 1994 to 1995 is due to a projected decline in the value of the dollar relative to the yen -- Japan's yen-based expenditures will remain the same.⁹

By contrast, housing construction requirements in Europe are limited because private housing meeting U.S. standards is frequently available and costs are low compared to Japan; environmental compliance-related construction, though necessary, is not as large a requirement as in Japan; and other U.S. military construction in Europe has met U.S. needs without approaching the size of the Japanese program. In recent years, U.S. military construction in Europe has been very limited because of troop withdrawals. Even assuming that U.S. construction funding in Europe increases in the future, costs for a

⁷For a discussion, see Marc Zolton, "Japan: Chronic Housing Crunch Still Eludes Dual-Nation Cures," *Navy Times*, Nov. 4, 1991, pp 12-13.

⁸For a discussion, see Marc Zolton, "Jet Noise at Atsugi Draws Ire," *Navy Times*, Nov. 4, 1991, p. 16.

⁹Department of Defense, "FY1995 Budget Estimates: Host Nation Support," May 1994, p. 3.

robust program are unlikely to rival the Japanese-funded facilities investment program. A basis for comparison is that, in the mid-1980s, when U.S. defense budgets were relatively high, U.S. funding for military construction projects in Europe never exceeded about \$2,100 per active duty troop.¹⁰ For NATO Europe as a whole, this would translate into about \$340 million per year for the reduced U.S. troop deployment in FY1995 at current prices.

A comparison of Japan's construction program with allied programs in Europe poses another problem in that data on European host nation support do not take account of allied contributions to the common NATO Infrastructure Program. The NATO Infrastructure Program finances construction projects of general value to the alliance, but senior U.S. officials have concluded that the program provides more in support for U.S. forces than the cost of the U.S. contribution. It is possible, using DOD figures, to derive a rough estimate of the value to the United States of allied infrastructure account contributions. In recent years, the agreed U.S. share of the NATO Infrastructure Account has been about 28 percent. U.S. officials have estimated that over 45 percent of the account goes for projects that directly or indirectly benefit U.S. troop deployments in Europe, when projects of common value to the alliance are included.¹¹ The total amount invested through the NATO Infrastructure Account has declined in recent years, from an average of about \$2 billion per year in the late 1980s, to roughly \$1.7 billion per year in the early 1990s, and to about \$825 million annually under the current alliance program.¹² The difference between the 45 percent of the NATO Infrastructure Program that reportedly benefits the United States and the 28 percent U.S. share of the cost ranges from \$340 million per year in the late 1980s to about \$140 million per year today. This is one measure of allied support for U.S. deployments in Europe through the NATO Infrastructure Account.

REESTIMATING POTENTIAL U.S. SAVINGS

Two significant questions follow from this review of the Japanese model: First, if elements of host nation support that are not readily comparable from country to country -- i.e., rent, revenue foregone, and most construction -- are

¹⁰CRS calculations based on DOD funding data in annual Construction Program (C-1) budget presentations and DOD personnel level data in quarterly reports on Worldwide Manpower Distribution.

¹¹Statement of Gen. John R. Galvin, Commander in Chief, U.S. European Command, in: U.S. Congress. House. Committee on Appropriations. Subcommittee on Military Construction. *Military Construction Appropriations for 1992*. March 6, 1991, p. 119.

¹²Late 1980s data from Mr. Bill Harper, Office of the Assistant Secretary of Defense for Production & Logistics (now ASD Economy and Environment); subsequent data from Department of Defense, "FY1995 Budget: North Atlantic Treaty Organization Infrastructure Program," Feb. 1994.

excluded from the account, what share of U.S. overseas basing costs do Japan and other allies provide? Second, if only elements of host nation support that are more readily comparable from country to country are taken into account, how much could the United States save if other U.S. allies were to match Japan's level of support? **Table 6** addresses the first of these issues. Excluding rent, revenue foregone, and construction, Japan's share of total U.S. basing costs appears to range from 33 percent in FY1993 to 46 percent in FY1995 -- still substantially larger than any other ally provides but not as large as the DOD calculations in **Table 3** (70 to 75 percent) suggest.

**Table 6: Host Nation Shares of Overseas Basing Costs
Excluding Rent, Revenue Foregone, and Construction**
(current year dollars in millions)

	U.S. Operating Costs	Host Nation Support	Total Overseas Basing Costs	HNS Percentage Share
Germany				
FY1993	4,589	248	4,837	5%
FY1994	3,369	178	3,547	5%
FY1995	3,550	61	3,611	2%
United Kingdom				
FY1993	595	46	641	7%
FY1994	540	33	573	6%
FY1995	530	40	570	7%
Italy				
FY1993	567	0	567	0%
FY1994	599	6	606	1%
FY1995	609	6	615	1%
Japan				
FY1993	1,393	685	2,078	33%
FY1994	1,315	880	2,194	40%
FY1995	1,313	1,136	2,449	46%
Korea				
FY1993	844	121	965	13%
FY1994	865	196	1,061	18%
FY1995	877	144	1,021	14%
All Other				
FY1993	1,987	7	1,994	0%
FY1994	1,812	15	1,827	1%
FY1995	1,702	15	1,717	1%

Source: CRS calculations based on Department of Defense data.

Table 7 shows estimates of amounts the United States might have saved in FY1993-95 if other allies had absorbed as large a share of foreign national labor compensation as Japan. This is a measure of allied cost sharing that clearly offsets expenses the United States would otherwise bear. If all allies were to agree, like Japan, to absorb essentially all foreign national labor costs at U.S. bases abroad, savings in FY1995 might approach about \$1 billion. Additional amounts might have been saved if other allies were also to match

Japan's support for utility payments and other, unidentified, direct costs. This measure involves a great deal of uncertainty, however, because it is unclear from available DOD data what costs are covered and whether costs are comparable from one host nation to another. Potential U.S. savings from increased host nation support, however, appear to be substantially smaller than has been widely cited in the congressional burdensharing debate.

Table 7: Potential U.S. Cost Savings from Increased Allied Foreign National Labor Compensation
(current year dollars in millions)

	U.S. Foreign National Labor Compensation	HNS Foreign National Labor Compensation	HNS Share Foreign National Labor Compensation	HNS Foreign National Labor Compensation If All Allies Match Japan	U.S. Savings /Additional HNS Costs If All Allies Match Japan
Germany					
FY1993	878	134	13%	727	593
FY1994	825	131	14%	794	663
FY1995	684	44	6%	686	643
United Kingdom					
FY1993	12	0	0%	8	8
FY1994	9	1	6%	8	7
FY1995	11	1	9%	11	10
Italy					
FY1993	62	0	0%	45	45
FY1994	40	6	14%	39	32
FY1995	34	6	16%	38	32
Japan					
FY1993	238	609	72%	609	0
FY1994	158	754	83%	754	0
FY1995	55	918	94%	918	0
Korea					
FY1993	197	71	27%	192	121
FY1994	180	85	32%	220	135
FY1995	174	93	35%	252	159
All Other					
FY1993	298	0	0%	215	214
FY1994	206	12	5%	181	169
FY1995	184	14	7%	187	173
Total					
FY1993	1,684	815	33%	1,797	982
FY1994	1,413	988	41%	1,995	1,007
FY1995	1,140	1,077	49%	2,093	1,016

Source: CRS calculations based on Department of Defense data.

Note: Potential future U.S. savings may be smaller than the FY1995 amounts shown here because of continuing U.S. troop withdrawals from Europe. In addition, most proposals call for phasing in increased cost sharing arrangements, so short term savings would also be smaller.

IS IT CHEAPER TO BASE U.S. FORCES IN JAPAN?

A natural implication of the premise that Japan is absorbing a large share of U.S. overseas basing costs is that it is cheaper to base U.S. forces in Japan than elsewhere abroad or, perhaps, in the United States. In the past, the Defense Department has explicitly argued as much. A 1992 DOD report to Congress on U.S. military strategy in Asia, for example, said that,

Japan ... supplies by far the most generous host nation support of any of our allies.... The high level of Japanese support makes Japan the least expensive place in the world, including the U.S., to station our forces.¹³

As discussed previously, however, much of Japan's host nation support -- including rent paid to private owners, the imputed rent value of facilities and other revenue foregone, and a large part of Japan's military construction funding -- appears to represent potential added expenses of operating in Japan that the United States does not bear rather than offsets to normal U.S. military operating costs. Indeed, large elements of Japan's host nation support are for facility expenses that are not normally counted in the U.S. military budget. The U.S. defense budget, for example, does not include the estimated rent value of facilities occupied at home.¹⁴

For a number of reasons, it is difficult to compare costs of forces in the United States with costs of forces deployed overseas. A major problem is that data on operating costs of troops abroad do not include overhead expenses, such as recruiting and acquisition oversight, that are absorbed in the remainder of the DOD operation and maintenance budget. Simply subtracting overseas operating costs from total worldwide operating costs and then figuring costs per troop in the United States, therefore, would not provide a valid comparison.

A straightforward alternative, however, is to compare the operating cost of forces in Japan with overseas operating costs of similar military units elsewhere. The comparison has to take account of the different operating costs of different kinds of troops. Most U.S. troops in Japan, for example, are Marines, who operate on a relatively stingy budget. But no large detachments of Marines are currently deployed permanently abroad elsewhere in the world.

Apart from Marines, the main U.S. presence in Japan is the Air Force, which deploys a full tactical air wing there. Comparable numbers of Air Force troops are deployed in Germany and the United Kingdom, and a smaller force is deployed in Italy. **Table 8** compares Air Force overseas operating costs per troop in Germany, Italy, the United Kingdom, and Japan in FY1993 -- the last

¹³Department of Defense, *A Strategic Framework for the Asian Pacific Rim: Report to Congress, 1992*, 1992, p. 18.

¹⁴Indeed, in the past, even when the United States paid for basing rights in host nations like the Philippines, the cost was borne in the foreign assistance budget, not by the Defense Department.

year for which precise data on average troop levels are available. Air Force operating costs in Japan appear to be about 15 percent greater than in Germany or Italy and 40 percent higher than in the United Kingdom.

Table 8: Air Force Overseas Operating Costs per Troop, FY1993
(current year dollars)

	Average Troop Level	U.S. Overseas Basing Costs (000,000s of \$)	U.S. Overseas Basing Costs Per Troop (\$)
Germany	21,564	633	29,354
Italy	2,923	87	29,764
United Kingdom	15,490	371	23,944
Japan	15,374	527	34,305

Source: CRS calculations based on Department of Defense data.

This analysis buttresses the argument made earlier that DOD estimates of host nation support in large part merely identify costs of land, facilities, and taxes in host nations and that neither these elements of host nation support nor much of Japan's construction support offset U.S. military operating costs. This does not mean that Japan's host nation support is insubstantial. On the contrary, Japan does provide a large amount to absorb the unique costs of operating there. The Vicinity Countermeasures Program, for example, appears important to maintain public support in Japan for the presence of U.S. troops. And Japan's willingness to pay for housing U.S. personnel represents an effort to ameliorate substantial expenses that the United States would otherwise face. Despite Japan's substantial investments, however, it does not appear cheaper to maintain U.S. forces in Japan than in Europe.

By extension, it also does not appear cheaper to base forces in Japan than in the continental United States. The Defense Department generally estimates that it costs from 10 to 20 percent more to pay and operate forces in Europe than to pay and operate similar forces in the continental United States.¹⁵ If it is cheaper to base forces in Europe than in Japan, therefore, it is also cheaper to base them in the United States.

¹⁵For one such estimate, see Department of Defense, Office of Program Analysis and Evaluation, "Background Paper: The Costs of the U.S. Force Commitment to NATO," in -- U.S. Congress. House. Committee on the Budget. Hearing on the Fiscal Year 1993 Defense Budget. Serial No. 102-32. February 5, 1992, pp. 157-158.

CONCLUDING OBSERVATIONS

In recent years, many Members of both Houses of Congress have repeatedly sought to encourage allies to absorb a larger share of the costs of deploying U.S. military forces overseas. Since 1991, the effort has focused on means of compelling other allies to contribute as large a share of overseas basing costs as Japan. Recently, the House approved a measure that would require U.S. allies in Europe to pay 75 percent of U.S. overseas basing costs by 1999, a share that equals Japan's. Some estimates suggest that this approach could save the United States more than \$3 billion a year by the end of the decade.

These estimates follow logically from the manner in which the Defense Department has presented data on host nation support contributions and on U.S. overseas basing costs to Congress. A close look at the data, however, suggests a number of shortcomings, including --

- Much of the data on allied contributions merely measures imputed costs of renting facilities and of taxes foregone in different host nations. Since all major allies provide facilities free of charge to the United States, and many waive taxes and fees, these elements of host nation support do not indicate differences in the level of effort among the allies.
- These elements of host nation support also do not directly offset U.S. military operating costs abroad. Nor do more direct allied support contributions always offset U.S. costs. A large part of Japan's construction program for U.S. forces simply covers some costs of operating military forces unique to Japan. If other allies were to undertake similar programs, therefore, it would not necessarily reduce U.S. budget costs.

Because of these conceptual problems, efforts to use the data to compare the level of support for U.S. forces among the allies may be misleading. Moreover, given these problems with the data, it is not possible to derive precise estimates of potential cost savings to the United States from increased host nation support contributions on the Japanese model.¹⁶ Common estimates of potential savings appear to be substantially overstated, though some savings might be achieved. If all allies were to match the share of foreign national labor costs that Japan absorbs, then savings to the United States could approach \$1 billion a year. Further savings may be possible if other allies absorb some additional direct military operating costs. A reliable estimate of such savings, however, would require more detailed information on operating expenses in each host nation than DOD has provided.

¹⁶Conceivably, the United States could ask other allies to provide a certain percentage of total U.S. expenditures and allied support costs in a fashion that would offset U.S. costs. Given the structure of costs in most host nations, this would probably require asking allies to pay a portion of U.S. weapons operation and maintenance costs and a share of U.S. military pay.

Because potential savings from increased host nation support are quite limited, several questions arise. Are savings of this magnitude sufficient to justify increased friction with allies over host nation support? Would a failure to achieve additional allied support warrant U.S. troop withdrawals from overseas? How important are other priorities to the United States in pursuing broader global responsibility sharing?